

APR 1 1954

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

31 March 1954

MEMORANDUM FOR: Mr. Allan Evans (OIR)
Colonel W. H. Hennig, USA (G-2)
Captain Allan L. Reed, USN (ONI)
Colonel Charles F. Gillis, USAF (AFOIN-2B2)
Captain Ray Malpass, USN (JIC)

SUBJECT : NIE 20-54: Probable Outlook in Western Europe
over the Next Decade

1. The Board of National Estimates has approved the attached Conclusions to subject estimate. These Conclusions will be discussed together with the estimate at the IAC representatives' meeting on 6 April.

2. Attached also are some revisions of the Discussion. *corrected*
These changes should be made in your draft dated 30 March.

Chester L. Cooper
CHESTER L. COOPER

Acting Deputy Assistant Director
National Estimates

Distribution "B"

~~SECRET~~

DOCUMENT NO. _____
NO CHANGE IN CLASS. 1
☒ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE: 11 MAY 81 REVIEWER: 018557

CENTRAL INTELLIGENCE AGENCY

31 March 1954

**SUBJECT: NIE 20-54: THE PROBABLE OUTLOOK FOR WESTERN EUROPE
OVER THE NEXT DECADE**

CONCLUSIONS

1. Western Europe has staged a remarkable recovery from World War II, but its economic and political foundations remain fragile and it will be hampered by the revival of domestic and international conflicts, especially that between France and Germany, and by the problems raised by the growth of Soviet nuclear capabilities.
2. So long as world conditions remain favorable, the economies of the Western European states will probably enjoy moderate economic growth, with those of France, Italy, Spain, and Portugal being least dynamic. Unfavorable conditions, such as a US depression, would probably encourage a return to economic nationalism.
3. Providing there is no serious Western European depression, moderate governments will almost certainly continue to rule in the UK and in the smaller democracies of Western Europe and will probably

~~SECRET~~

continue in Western Germany. The threat to political stability in Western Europe will remain greatest in France and Italy, which are likely to be ruled by weak and indecisive governments for at least the next several years. Moreover, the growing discrepancy between the conservative character of these governments and majority demand for economic and social reforms in those countries may produce swings to the extreme right or, less likely, to the extreme left.

4. If Adenauer's policy should fail to achieve equality and rearmament, extremists might gain control in West Germany. The revival of a powerful West Germany under extreme nationalist rule could cause drastic political change elsewhere, threaten the Western coalition, and resurrect the problems of the 1930's.

5. We believe that the Western European states will continue to maintain relatively large "conventional" forces and to press for US aid for that purpose. They will remain convinced that the continued presence of US forces on the Continent is vital to Western Europe's unity, resolution, and strength, and to prevent war. NATO forces will probably increase in quality, though probably not in numbers, and NATO will almost certainly remain the center of the Western security system.

6. Western Europe has made substantial progress during the last five years toward the establishment of common institutions. However, we believe that Western Europe is unlikely to go much beyond the present degree of integration during the period of this estimate. Even if EDC and EPC are accepted in some form, their objectives may not be attained. On the other hand, even failure to ratify EDC would not in itself destroy military cooperation in NATO, which might be enlarged to include West Germany.

7. France will resent West Germany's advance toward a position of leadership on the Continent, and therefore will delay every measure designed to secure German cooperation in the Western defense effort. We believe it likely, however, that France will eventually accept some form of German rearmament, but probably in such a manner as to detract from its effectiveness. Franco-German relations thus will continue to be the central problem of any European common effort.

8. Our Western European allies will seek to obtain greater influence over US policy toward the USSR and Communist China in order to ensure a cautious and conciliatory Western policy toward the Communist states. They will be especially fearful that a strong US reaction to an act of local aggression might lead to general war.

9. In a grave international crisis with imminent threat of general war we believe that most, and perhaps all, of our Western European allies would probably support the US provided that:

(a) the alliance had come through the period of cold war in good strength and integrity; (b) our allies considered that the US had not needlessly or rashly provoked the crisis; and (c) our allies considered the issues at stake to be vital to their national interests. If these conditions did not exist, the solidity of the alliance would become much more doubtful.